

16 October 2017

Steve Bielby  
Chief Executive  
Gas Industry Company  
Level 8, The Todd Building  
95 Customhouse Quay  
WELLINGTON 6143  
Submitted via GIC website

Dear Steve

## Draft recommendation on 14 July 2017 MPOC transition change request

First Gas supports the draft recommendation made by the Gas Industry Company (GIC) on the change to the Maui Pipeline Operating Code (MPOC) that we proposed on 14 July 2017.

The GIC has carefully considered the proposed provisions for terminating the MPOC and adopting the Gas Transmission Access Code (GTAC), and has engaged on each of the concerns raised by submitters on how we have approached this issue. Our consultation on the proposed change highlighted that no approach to the transition would suit all parties. We believe that the provisions drafted strike the right balance between enabling the transition to happen while safeguarding industry objectives. Importantly, the proposed approach has maintained goodwill and commitment throughout the process of negotiating the GTAC, which we believe would have been put at risk if other approaches had been pursued.

### Agree with assessment of additions to the MPOC

We agree with the assessment presented in the draft decision that the proposed additions to the MPOC:

- **Improve efficiency** by providing a clear legal pathway to terminate the MPOC and adopt the GTAC in a way that avoids hold-out. This also provides assurance that the move to the GTAC will only happen if it represents a significant step forward for the gas industry; and
- Are **fundamentally fair** in setting a high threshold for change (through the terms of the substantive condition) and allowing sufficient time for parties to make any required contractual and system changes (through the procedural conditions).

While we agree with the statement (at the top of page 4) that the conditions for regulation have not been met, we consider that the regulatory counterfactual continues to have relevance to the process of developing the GTAC. In our view, without the proposed MPOC change, regulation is more likely to be required, since other pathways towards GTAC adoption are less clear.

We have tried to run a process for the GTAC that shares many of the features that would otherwise be required for regulation, such as considering all practicable options and consulting openly on those options. This was very much by design and done in collaboration with the GIC as set out in the first Single Code Options Paper (SCOP1).

### Support edits proposed by submitters

We are happy to make the edits proposed by Greymouth and Trustpower and accepted by GIC (on page 9) to remove the word “include” from clause 22.16(a) and removing “and” from 22.16(d) and inserting it in clause 22.16(e). We agree that these changes are technical and minor in nature.

**Input welcomed on selection of IT system**

The process of engaging on the MPOC change (and consulting on the GTAC) has reinforced the value that our customers place on certainty, particularly with the IT system that facilitates code transactions. We are pleased to have obtained input from shippers, producers and other stakeholders through a user reference panel that will help First Gas select the best IT system for the GTAC.

We understand that the transition to the new code involves costs and risk for a range of parties. We continue to prefer an open, collaborative approach to provide greater certainty, rather than adding prescription into either the existing codes or the GTAC.

If you have any questions regarding this submission, please contact me on 021 911 946 or via email at [ben.gerritsen@firstgas.co.nz](mailto:ben.gerritsen@firstgas.co.nz).

Yours sincerely



**Ben Gerritsen**  
General Manager Commercial and Regulation